

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2017

WITH

Independent Auditors' Reports

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2017

WITH

Independent Auditors' Reports

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NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2017

WITH

Independent Auditors' Reports

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northern Kentucky Area Development District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District as of June 30, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 1 through 5 and 24 through 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Kentucky Area Development District's basic financial statements. The statement of operations by grant and the statement of allocated costs claimed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The statement of operations by grant, the statement of allocated costs claimed and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018, on our consideration of the Northern Kentucky Area Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northern Kentucky Area Development District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Our discussion and analysis of Northern Kentucky Area Development District's (NKADD) financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the NKADD's financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the NKADD's net position was a negative \$(1,719,562), a decrease of \$317,174 or 22.62% over FY 2016 negative net position.
- In the governmental funds, total revenues during the fiscal year increased by \$599,147 and total expenditures increased by \$595,991.
- At the close of the fiscal year, the NKADD's governmental fund balance was \$3,119,345 an increase of \$98,829 from June 30, 2016.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 6 and 7) provide information about the activities of the NKADD as a whole and present a longer-term view of the NKADD's finances. Fund financial statements start on page 8. For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the NKADD's operations in more detail than the government-wide statements by providing information about the NKADD's most significant funds. The remaining statements provide detail financial information for the benefit of those outside of the government.

Reporting the NKADD as a Whole

Our analysis of the NKADD financial statements as a whole begins on page 6. One of the most important questions asked about the NKADD's finances is, "Is the NKADD as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the NKADD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the NKADD's net position and changes in them. You can think of the NKADD's net position—the difference between assets and liabilities—as one way to measure the NKADD's financial health, or financial position. Over time, increases or decreases in the NKADD's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the NKADD's revenue base and the condition of the NKADD's facilities, to assess the overall health of the NKADD.

In the Statement of Net Position and the Statement of Activities, we show the NKADD's one activity:

- Governmental activities—All of the NKADD's basic services are reported here, grant administration and general administration. State, local, and federal grants finance most of these activities.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Reporting the NKADD's Most Significant Funds

Our analysis of the NKADD's major funds and the fund financial statements begin on page 8 and provide detailed information about the most significant funds—not the NKADD as a whole. All grant administration is considered in one major fund. However, the NKADD accounts for grants by separate work elements to help it control and manage money for particular purposes and to show that it is meeting legal responsibilities for using certain grants, and other money.

- Governmental funds – Most of the NKADD's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the NKADD's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the NKADD's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 9 and 11.
- Special revenue funds – reports the activities of the revolving loan fund and Kentucky Housing Corporation (KHC) Economic Development Administration (EDA) loan program. These activities are reported in a separate column on the balance sheet on page 8 and on the statement of revenues, expenditures and changes of fund balances on page 10. We separate these activities from the NKADD's other activities because the NKADD cannot use these assets to finance its operations. The NKADD is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE NKADD AS A WHOLE

The total net position serves over time as an indicator of an organization's financial position. In the case of the NKADD, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,719,562. The beginning net position was a negative \$(1,402,388). The unrestricted net position as of June 30, 2017 was a negative \$(2,291,389).

Total governmental funds revenue for the period ending June 30, 2017 was \$18,555,757. For the previous fiscal year, the total revenue was \$17,956,610. This results in a 3.33% increase in revenues. The net increase in revenues for FY 2017 is due to slight changes across multiple programs.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Table 1
Net Position**

	<u>FY '17</u>	<u>FY '16</u>
Current and other assets	\$ 5,587,412	\$ 5,262,849
Capital assets	<u>2,517,017</u>	<u>2,616,703</u>
Total assets	8,104,429	7,879,552
Deferred outflows of resources	<u>1,423,300</u>	<u>1,091,621</u>
Total assets and deferred outflows	<u>\$ 9,527,729</u>	<u>\$ 8,971,173</u>
Current liabilities	\$ 2,502,505	\$ 2,387,871
Net pension liability	6,543,826	5,880,446
Long term debt	<u>2,087,380</u>	<u>2,088,510</u>
Total liabilities	11,133,711	10,356,827
Deferred inflows of resources	<u>113,580</u>	<u>16,734</u>
Total liabilities and deferred inflows	<u>\$11,247,291</u>	<u>\$10,373,561</u>
Investment in capital assets, net of related debt items	\$ 429,637	\$ 418,193
Restricted for:		
Building construction	34,458	35,543
Loan program	107,732	157,129
Unrestricted	<u>(2,291,389)</u>	<u>(2,013,253)</u>
Total net position	<u>\$(1,719,562)</u>	<u>\$(1,402,388)</u>

**Table 2
Change in Net Position**

	<u>FY '17</u>	<u>FY '16</u>
REVENUES		
Program revenues		
Charges for services	\$ 377,850	\$ 297,935
Operating grants and contributions	18,010,744	17,450,165
General revenues		
Municipal contributions	96,921	94,134
Interest income	<u>845</u>	<u>791</u>
Total revenues	<u>18,486,360</u>	<u>17,843,025</u>
PROGRAM EXPENSES		
Cabinet for Health and Family Services	11,522,484	11,018,533
Workforce Innovation & Opportunity Act	2,985,896	2,815,363
Commodities	823,875	700,304
Supportive Housing	16,009	303,242
Loan Program	10,479	25,074
Joint Funding Administration	199,097	265,574
Other federal contracts	1,278,298	1,011,624
Other state contracts	577,223	792,177
Other local contracts	1,391,273	1,117,090
Interest on long term debt	<u>(1,100)</u>	<u>(1,100)</u>
Total expenses	18,803,534	18,047,881
CHANGE IN NET POSITION	<u>\$ (317,174)</u>	<u>\$ (204,856)</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Fund Budgetary Highlights

In Fiscal Year 2017, the NKADD had an initial total projected budget of \$16,700,796 in revenues and \$16,629,751 in expenditures and net other financing uses, with net change in fund balance of \$71,045. Of these dollars \$10,500,000 were projected pass-thru. During Fiscal Year 2017, the budget was amended to increase revenues to \$17,674,882 and increase expenditures and net other financing uses to \$18,449,871. The actual revenues on the budgetary basis for Fiscal Year 2017 were \$17,834,604 and \$17,686,378 in actual expenditures and net other financing uses, compared to Fiscal Year 2016 revenues of \$17,370,234 and expenditures and net other financing uses of \$18,203,177.

CAPITAL ASSETS

The capital assets of the NKADD are its office building, the land it sits upon, computer equipment, furnishings, and computer software. The land has a historical cost of \$226,975 for both June 30, 2017 and June 30 2016. This represents the only capital asset not depreciated. The office building has a historical cost of \$2,927,591 for both June 30, 2017 and June 30, 2016. The accumulated depreciation for the office building at June 30, 2017 was \$791,199 and at June 30, 2016 was \$743,106. The increase of \$48,093 was depreciation expense for fiscal year 2017. Computer equipment has a historical cost of \$545,498 for June 30, 2017 and \$555,060 for June 30, 2016. During the fiscal year there were additions to computer equipment for \$10,848 and disposals of \$20,410. Accumulated depreciation for computer equipment was \$469,328 at June 30, 2017 and \$443,128 at June 30, 2016. Accumulated depreciation for computer equipment increased \$46,186 for depreciation, and decreased \$19,986 for disposals. Furniture and fixtures have a historical cost of \$292,008 for both June 30, 2017 and June 30, 2016. The accumulated depreciation for furniture and fixtures was \$232,101 at June 30, 2017 and \$220,487 at June 30, 2016. Accumulated depreciation for furniture and fixtures increased \$11,614 for depreciation. Computer software has a historical cost of \$42,173 for both June 30, 2017 and June 30, 2016. The accumulated depreciation for computer software was \$24,600 at June 30, 2017 and \$20,383 at June 30, 2016. Accumulated depreciation for computer software increased \$4,217 for depreciation.

DEBT ADMINISTRATION

Of the capital items, the land and office building are financed by long-term debt. This debt represents the only capital assets financed debt of the NKADD. In December 2013, the NKADD's remaining U.S. Department of Agriculture (USDA) "First Mortgage Revenue Bonds," Series 2001 were paid in full with funds provided by the City of Florence under a capital lease arrangement. The lease/financing arrangement with the City of Florence has an average interest rate of 3.5%, payable semi-annually. The unpaid balance was \$2,075,000 at June 30, 2017. The debt service total principal and interest for Fiscal Year 2018 will be \$183,875.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The NKADD budget and financial stability is closely connected to receipt of federal and state public dollars. For Fiscal Year 2018, budgeted revenues are \$17,838,544 and expenditures are \$17,784,064. The difference between Fiscal Year 2018 budgeted revenues and expenditures is \$54,480.

Retirement costs continue to be a long-term financial issue for NKADD. The Fiscal Year 2018 employer contribution rate for NKADD in the County Employees Retirement System (CERS) is 19.18%. In Fiscal Year 2019, the CERS rate will increase; however, the exact rate is pending the outcome of the pension reform.

In 2018, the Kentucky General Assembly will conduct a regular budget session. The budget situation in Kentucky is dire, and cuts to many programs are anticipated. In addition, mid-year cuts have been ordered through a budget reduction order, and while we have not been given final numbers, it appears two of NKADD's contracts will be reduced by significantly more than the budget reduction order. These reductions will significantly impact the Community and Economic Development Division. In addition, the General Assembly anticipates enacting Pension Reform, which, depending on the outcome, could significantly impact NKADD's pension responsibility.

The NKADD continues to better position itself for emergencies. The unassigned fund balance in the Governmental Fund Statements as of June 30, 2017 was \$2,803,308 compared to \$2,659,811 at the end of Fiscal Year 2016. While still low for an organization the size of NKADD, progress continues to be made on the objective of obtaining an adequate level. However, with the implementation of Governmental Accounting Standards Board Statement Nos. 68 and 71, the NKADD was required to reflect in the Government-wide Financial Statements its proportionate share of the unfunded liability of the Kentucky Retirement System's County Employees Retirement System (CERS), a cost sharing multiple employer plan, in which NKADD is a participant. As a result the unrestricted net position as of June 30, 2017 was a negative \$(2,291,389) compared to a negative \$(2,013,253) at the end of Fiscal Year 2016.

CONTACTING NKADD'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the NKADD's finances and to show the NKADD's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the NKADD Office at 22 Spiral Drive, Florence, KY 41042.

BASIC FINANCIAL STATEMENTS

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Governmental
- ASSETS -	
Cash and cash equivalents	\$ 1,911,516
Cash - building construction account	34,458
Accounts receivable	3,412,551
Prepaid expenses	122,127
Loans receivable	
Due within one year	28,313
Due in more than one year	78,447
Capital assets, net	2,517,017
Total assets	8,104,429
 - DEFERRED OUTFLOWS OF RESOURCES -	
Deferred outflows related to pension plan	1,423,300
Total deferred outflows of resources	1,423,300
 - LIABILITIES -	
Accounts payable	1,027,578
Accrued expenses	132,461
Funds received in excess of revenues earned	1,218,309
Employees accrued annual leave	124,157
Long-term liabilities:	
Due within one year	115,000
Due in more than one year	
Long-term debt	1,972,380
Net pension liability	6,543,826
Total liabilities	11,133,711
 - DEFERRED INFLOWS OF RESOURCES -	
Deferred inflows related to pension plan	113,580
Total deferred inflows of resources	113,580
 - NET POSITION -	
Investment in capital assets, net of related debt items	429,637
Restricted for:	
Building construction	34,458
Loan program	107,732
Unrestricted	(2,291,389)
Total net position	\$ (1,719,562)

The accompanying notes are an integral part of this statement

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions	Direct Expenses	Indirect Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Cabinet for Health and Family Services	\$ 11,253,707	\$ 268,777	\$ 344	\$ 11,503,995	\$ (18,145)
Workforce Innovation & Opportunity Act	2,858,127	127,769	-	2,884,322	(101,574)
Commodities	815,834	8,041	27	817,548	(6,300)
Supportive Housing	16,009	-	-	16,009	-
Loan Program	9,716	763	7,971	(47,460)	(49,968)
Joint Funding Administration	181,760	17,337	-	184,785	(14,312)
Other federal contracts	1,211,501	66,797	1	1,227,089	(51,208)
Other state contracts	557,253	19,970	2	561,236	(15,985)
Other local contracts	1,359,414	31,859	369,505	863,220	(158,548)
Interest on long term debt	68,845	(69,945)	-	-	1,100
Total governmental activities	<u>18,332,166</u>	<u>471,368</u>	<u>377,850</u>	<u>18,010,744</u>	<u>(414,940)</u>
GENERAL REVENUES:					
Municipal contributions					96,921
Interest income					845
Total general revenues					<u>97,766</u>
Change in net position					(317,174)
NET POSITION, BEGINNING					<u>(1,402,388)</u>
NET POSITION, ENDING					<u><u>\$ (1,719,562)</u></u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Special Revenue	Total Governmental Funds
- ASSETS -			
Cash and cash equivalents	\$ 1,911,516	\$ -	\$ 1,911,516
Cash - building construction account	34,458	-	34,458
Accounts receivable	3,412,551	-	3,412,551
Prepaid expenses	122,127	-	122,127
Loans receivable	-	106,760	106,760
Due (to)/from other funds	(353,089)	353,089	-
Total assets	\$ 5,127,563	\$ 459,849	\$ 5,587,412
- LIABILITIES AND FUNDS EQUITY -			
- LIABILITIES -			
Accounts payable	\$ 1,027,578	\$ -	\$ 1,027,578
Accrued expenses	98,023	-	98,023
Funds received in excess of revenues earned	917,912	300,397	1,218,309
Employees accrued annual leave	124,157	-	124,157
Total liabilities	2,167,670	300,397	2,468,067
- FUND BALANCES -			
Non-spendable			
Prepaid expenses	122,127	-	122,127
Restricted			
Building construction	34,458	-	34,458
Loan program	-	107,732	107,732
Assigned			
Working capital	-	51,720	51,720
Unassigned	2,803,308	-	2,803,308
Total fund balances	2,959,893	159,452	3,119,345
Total liabilities and fund balances	\$ 5,127,563	\$ 459,849	\$ 5,587,412

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balance - governmental funds	\$	3,119,345
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		2,517,017
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Long-term debt	\$	(2,075,000)
Net pension liability		(6,543,826)
		(8,618,826)
Costs incurred with the issuance of long term debt are not financial resources and therefore are not reported as assets in governmental funds.		
Accrued interest expense		(34,438)
Bond premium		(12,380)
		<u>(46,818)</u>
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reportable in the governmental funds:		
Deferred outflows of resources		1,423,300
Deferred inflows of resources		<u>(113,580)</u>
		<u>1,309,720</u>
 <i>Net position (deficit) of governmental activities</i>	 \$	 <u><u>(1,719,562)</u></u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General	Special Revenue	Totals
REVENUES:			
Applied to all programs:			
Federal revenues	\$ 6,295,639	\$ 17,608	\$ 6,313,247
State revenues	10,070,040	-	10,070,040
Federal commodities	695,574	-	695,574
Interest income	1,219	7,971	9,190
Local revenues	1,467,706	-	1,467,706
Net revenues	<u>18,530,178</u>	<u>25,579</u>	<u>18,555,757</u>
EXPENDITURES:			
CHFS - other sub-grantees	8,552,122	-	8,552,122
WIOA sub-grantees	1,566,697	-	1,566,697
Commodities	695,574	-	695,574
Supportive Housing sub-grantees	16,009	-	16,009
Other federal contracts sub-grantees	175,010	-	175,010
Other state contracts sub-grantees	271,537	-	271,537
Other local contracts sub-grantees	549,097	-	549,097
Revolving loans	-	20,000	20,000
Direct salaries	3,249,839	4,411	3,254,250
Direct employee benefits	1,346,093	1,967	1,348,060
Direct travel	141,913	652	142,565
Direct contracts	702,300	1,711	704,011
Direct other	446,529	404	446,933
Direct local non-grant expenses	75,119	-	75,119
Shared expenses	540,550	763	541,313
Total expenditures	<u>18,328,389</u>	<u>29,908</u>	<u>18,358,297</u>
Excess of revenues (expenditures)	<u>201,789</u>	<u>(4,329)</u>	<u>197,460</u>
OTHER FINANCING SOURCES (USES):			
Operating sources in	63,088	4,329	67,417
Operating uses out	(116,651)	(49,397)	(166,048)
Net other financing sources (uses)	<u>(53,563)</u>	<u>(45,068)</u>	<u>(98,631)</u>
Net change in fund balances	148,226	(49,397)	98,829
Fund balances - beginning of year	<u>2,811,667</u>	<u>208,849</u>	<u>3,020,516</u>
Fund balances - end of year	<u>\$ 2,959,893</u>	<u>\$ 159,452</u>	<u>\$ 3,119,345</u>

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total government funds \$ 98,829

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$110,110) and loss on disposal (\$424) exceeded capital outlays (\$10,848). (99,686)

The issuance of long term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.

Principal payment on USDA financing	\$	110,000	
Accretion of bond premium		1,130	
Difference between interest expense on modified accrual basis vs. accrual basis		1,100	
		112,230	112,230

NKADD pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the NKADD's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities

NKADD pension contributions		432,888	
Cost of benefits earned		(861,435)	
		(428,547)	(428,547)

Change in Net Position of Governmental Activities **\$ (317,174)**

The accompanying notes are an integral part of this statement.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Kentucky Area Development District (NKADD) is a non-profit public agency, functioning as an instrumentality of a political subdivision of the Commonwealth of Kentucky. NKADD operates under legislative authority which has as its primary purpose the promotion of economic development and the establishment of a framework for joint federal, state and local efforts directed toward providing basic services and facilities essential to the social, economic and physical development of the eight county area in Northern Kentucky. The accounting policies of NKADD conform to generally accepted accounting principles.

The NKADD's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

For the year ended June 30, 2016, the NKADD implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, GASB Statement No. 68 required disclosure of information related to pension benefits.

The following is a summary of the more significant policies:

A. Basic Financial Statements – Government-Wide Statements: The NKADD's basic financial statements include both government-wide (reporting the NKADD as a whole) and fund financial statements (reporting the NKADD's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The NKADD currently has no funds that are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The NKADD's net position are reported in three parts – invested in capital assets, net of related debt, unrestricted net position, and restricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the NKADD's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. Net costs, if any, (by function) are normally covered by general revenue.

This government-wide focus is more on the sustainability of the NKADD as an entity and the change in the NKADD's net position resulting from the current year's activities.

B. Basic Financial Statements-Fund Financial Statements: The financial transactions of the NKADD are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of their assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following funds are used by NKADD:

Governmental Fund Types:

General Fund - The general operating fund of the NKADD is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue sources not considered part of the other funds, which includes the revolving loan fund and the KHC EDA loan fund.

Fund Balances:

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the NKADD's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, governmental laws regulations or imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the NKADD imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned –resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports an unassigned fund balance amount.

C. Basis of Accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The accounting system of NKADD also provides for the following:

- (1) Revenues are applied to program elements on the basis of total expenses incurred on the projects during the period and on the sharing ratios specified in the grant agreements.
- (2) Equipment acquired with grant funds is expensed immediately rather than capitalized and depreciated.

D. Shared Costs: Shared costs were distributed over the benefiting programs on the basis of direct salary and employee benefit charges. Shared costs are those (a) incurred for a common or joint purpose benefiting more than one program, and (b) not readily assignable to the programs specifically benefited without effort disproportionate to the results achieved.

E. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents: For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. As of June 30, 2017 the NKADD held no cash equivalents.

G. Accounts Receivable: Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations, as uncollectible governmental funds, when that determination is made.

H. Income Taxes: NKADD is exempt from income taxes.

I. Property and Equipment: Equipment is generally acquired by NKADD in part with grant funds. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Capital assets purchased or acquired with an original cost of \$500 or more are reported at cost. Other costs incurred for repairs and maintenance are expensed as incurred. Property acquired by the NKADD is stated at cost, less accumulated depreciation computed by the straight line method over the following estimated useful lives:

Building and improvements	10 – 40 years
Furniture and fixtures	7 years
Computer equipment	3 years
Computer software	10 years

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Use of Restricted Resources: When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the NKADD's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the NKADD's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

K. Long Term Debt: In the government-wide financial statements, long term debt is reported as liabilities in the applicable governmental activities financial statements.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

L. Revenues: Substantially all governmental fund revenues are accrued.

M. Expenditures: Expenditures are recognized when the related fund liability is incurred.

N. Compensated Absences: Employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with NKADD. Sick leave accrues to employees to specified maximums. Employees are entitled to limited accrued vacation leave upon termination. The estimated liability for vested vacation leave benefits is recorded as an expenditure and liability in the respective funds.

O. Deferred Outflows of Resources: The NKADD reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. Deferred outflows of resources reported in this year's financial statements relate to the NKADD's pension plan and include (1) contributions made to the NKADD's pension plan between the measurement date of the net pension liability and the end of the NKADD's fiscal year, (2) differences between the expected and actual experience, (3) changes in assumptions, (4) changes in the proportionate share of the NKADD's contributions to the pension fund, and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes of assumptions in the pension plan fund, and changes in the proportionate share of the NKADD's contributions to the pension fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year.

P. Deferred Inflows of Resources: The NKADD's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the NKADD's statement of net position for changes in proportionate share of contributions. The other deferred inflow of resources is attributed to the premium that was paid on the loan with the City of Florence for refinancing the building, improvements and real estate.

Q. Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2017, the carrying amount of the NKADD’s deposits (cash and cash equivalents) was \$1,945,974 and the bank balances totaled \$2,373,261. The building construction account balance was \$34,458, which consists of a money market government fund, and is uninsured. Of the remaining cash, \$250,000 is covered by the Federal Depository Insurance (FDIC) with the balance secured by pledged securities held by the pledging financial institution’s agent as collateral for the bank balances in excess of the FDIC insured amount.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security, obligations of the United States government or its agencies.

NOTE 3 - LEASES

NKADD leases warehouse space under an operating lease. The current year lease costs approximate \$36,000. There were no minimum future rental payments under this cancelable lease having remaining terms in excess of one year as of June 30, 2017.

The NKADD leases office space for the One Stop and Kentucky Works programs under five year rental agreements. The current year gross lease expense was \$250,755. The current year gross sublease income was \$153,103. The approximate future minimum lease payments relative to these leases as of June 30, 2017 are summarized as follows:

<u>Fiscal Year Ending June 30</u>	
2018	\$ 195,378
2019	187,182
2020	183,084
2021	183,084
2022	15,257
2023 and after	<u> -</u>
	\$ 763,985

Total minimum lease payments have not been reduced by \$437,374 to be received in the future under non-cancelable subleases.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - RETIREMENT PLANS

General Information about the Pension Plan

Plan description. Employees of the NKADD are provided with pensions through the County Employees Retirement System (CERS)—a cost-sharing multiple-employer defined benefit pension plan. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the CERS. KRS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov>

Benefits provided. CERS provides retirement, disability, and death benefits. Retirement benefits are calculated based on a formula (final compensation times a benefit factor times years of service) and may be extended to beneficiaries of plan members under certain circumstances. Disability benefits are determined in a similar manner as retirement benefits, but vary based upon hire date, age and years of service. Death benefits vary based upon whether the employee was retired or working at the date of death and whether or not it was a duty-related death.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Employees are required to contribute 5% or 6% of their annual creditable compensation based upon the date they begin participating in the plan. The actuarially determined rates set by the Board for the year ended June 30, 2017 was 18.68%, of which 13.95% was for the pension fund and 4.73% was for the insurance fund. Contributions to the pension plan from the NKADD were \$579,667 for the year ended June 30, 2017, of which \$432,888 was for the pension fund and \$146,779 was for the insurance fund.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the NKADD reported a liability of \$6,543,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NKADD's proportion of the net pension liability was based on a projection of the NKADD's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the NKADD's proportion was 0.132907%, which was an increase of 0.003863% from its proportion measured as of June 30, 2015.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2017, the NKADD recognized pension expense of \$841,972. At June 30, 2017, the NKADD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,569	\$ -
Changes of assumptions	346,656	-
Net difference between projected and actual earnings on plan investments	615,187	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	113,580
District contributions subsequent to the measurement date	432,888	-
	\$ 1,423,300	\$ 113,580

The \$432,888 reported as deferred outflows of resources related to pensions resulting from NKADD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 318,271
2019	199,776
2020	222,115
2021	136,670
2022	-
	\$ 876,832

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - RETIREMENT PLANS (CONTINUED)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008–June 30, 2013.

Changes of assumptions. Since the prior measurement date, there were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - RETIREMENT PLANS (CONTINUED)

The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	<u>100%</u>	

Sensitivity of the NKADD's proportionate share of the net pension liability to changes in the discount rate. The following presents the NKADD's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Decrease (6.50%)	Discount Rate (7.50%)	Increase (8.50%)
District's proportionate share of the net pension liability	\$ 8,154,667	\$ 6,543,826	\$ 5,163,015

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

Payables to the pension plan

The NKADD makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2017, \$96,759 was payable to the pension plan, of which \$72,258 was for the pension fund and \$24,501 was for the insurance fund.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 226,975	\$ -	\$ -	\$ 226,975
Total capital assets not being depreciated	<u>226,975</u>	<u>-</u>	<u>-</u>	<u>226,975</u>
Other capital assets:				
Buildings and improvements	2,927,591	-	-	2,927,591
Computer software	42,173	-	-	42,173
Computer equipment	555,060	10,848	(20,410)	545,498
Furniture and fixtures	<u>292,008</u>	<u>-</u>	<u>-</u>	<u>292,008</u>
Total capital assets being depreciated	<u>3,816,832</u>	<u>10,848</u>	<u>(20,410)</u>	<u>3,807,270</u>
Less accumulated depreciation for:				
Buildings and improvements	(743,106)	(48,093)	-	(791,199)
Computer software	(20,383)	(4,217)	-	(24,600)
Computer equipment	(443,128)	(46,186)	19,986	(469,328)
Furniture and fixtures	<u>(220,487)</u>	<u>(11,614)</u>	<u>-</u>	<u>(232,101)</u>
Total accumulated depreciation	<u>(1,427,104)</u>	<u>(110,110)</u>	<u>19,986</u>	<u>(1,517,228)</u>
Other capital assets, net	<u>2,389,728</u>	<u>(99,262)</u>	<u>(424)</u>	<u>2,290,042</u>
Governmental activities capital assets, net	<u>\$ 2,616,703</u>	<u>\$ (99,262)</u>	<u>\$ (424)</u>	<u>\$ 2,517,017</u>

NOTE 6 – LONG TERM DEBT

The following is a summary of changes in the long term debt for the year ended June 30, 2017:

	<u>Balance June 30, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>
Lease obligation	\$2,185,000	\$ -	\$ (110,000)	\$ 2,075,000
Premium on long term debt	<u>13,510</u>	<u>-</u>	<u>(1,130)</u>	<u>12,380</u>
Total long term debt	<u>\$2,198,510</u>	<u>\$ -</u>	<u>\$ (111,130)</u>	<u>\$ 2,087,380</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – LONG TERM DEBT (CONTINUED)

Permanent financing of the NKADD’s office building, improvements, and related real estate is provided by the City of Florence under a capital lease arrangement. The capital lease arrangement provided approximately \$2,415,000 to NKADD at an average interest rate of 3.5% payable semi-annually, expended as follows:

Retirement of USDA Series 2001 Bonds plus accrued interest	\$ 1,358,294
Building improvements and expansion	1,001,986
Loan costs	<u>54,720</u>
	<u>\$ 2,415,000</u>

This lease obligation is payable through January 1, 2034 and is secured by the NKADD’s office building and related real estate. Debt service requirements on this capital lease are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2.00%	\$ 115,000	\$ 68,875	\$ 183,875
2019	2.00%	120,000	66,575	186,575
2020	2.25%	120,000	64,175	184,175
2021	2.50%	125,000	61,475	186,475
2022	2.75%	125,000	58,350	183,350
2023-2027	3.00% - 3.75%	685,000	234,063	919,063
2028-2032	4.00% - 4.25%	645,000	100,463	745,463
2033-2034	4.25%	<u>140,000</u>	<u>8,924</u>	<u>148,924</u>
Totals		<u>\$2,075,000</u>	<u>\$ 662,900</u>	<u>\$2,737,900</u>

NOTE 7 - OTHER FINANCING SOURCES (USES)

Other financing sources (uses) consist of fixed asset transfers, loan proceeds and transfers between funds.

	Governmental Fund Types	
	General Fund	Special Revenue Fund Types
Principal payment on long term debt	\$ (110,000)	\$ -
Transfer from general fixed assets	62,664	-
Transfer to general fixed assets	(1,908)	-
Loss on disposal of fixed assets	424	-
Net capital lease activity	(414)	-
Transfer from general fund to special revenue fund	(4,329)	4,329
Net revolving loan principal activity	-	<u>(49,397)</u>
Net other financing sources (uses)	<u>\$ (53,563)</u>	<u>\$ (45,068)</u>

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – CONTINGENCIES

NKADD participates in numerous state and federal grant programs which are governed by various rules and regulations of the funding agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the funding agencies. Therefore, to the extent that NKADD has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related revenues earned in excess of funds received at June 30, 2017 may be impaired. Based on prior experience, management believes that NKADD will not incur significant losses from possible grant disallowances. Amounts that management anticipates will be refunded are included in funds received in excess of revenues earned.

NKADD passes a significant portion of the local, state and federal grant funds it receives through to sub-grantees. NKADD monitors the activities of the sub-grantees and requires that applicable sub-grantees have financial and compliance audits performed. To the extent that audits of sub-grantees indicate failures to comply with applicable grant requirements, NKADD assesses the likelihood of grant refunds payable as a result of such noncompliance, and records a liability for amounts management deems to be in excess of amounts recoverable from the sub-grantee. Management also assesses the likelihood of noncompliance by sub-grantees that have not yet submitted audited results. NKADD has not received nor reviewed many of the FY '17 audits of its sub-grantees. It is possible that audits of these funds could disclose questionable costs and/or non-compliance with laws, regulations and grant conditions that would have an adverse effect upon the financial statements and reports.

NOTE 9 – RESTRICTED NET POSITION

Net position restricted for loan programs include the excess of assets over liabilities restricted for the revolving loan fund and the Kentucky Housing Corporation Economic Development Administration loan fund. The government-wide statements include restricted net position of \$107,732 for small business loans reported as funds to reflect purpose restrictions imposed by the grantors. Net position restricted for building construction includes the cash restricted by the lease/financing agreement to be used in the construction of the building addition. These restrictions are functionally classified in the statement of net position.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		Budgetary Basis
Fund balance July 1, 2016	\$ 2,811,667	\$ 2,811,667	\$ 2,811,667	\$ -
RESOURCES (inflows):				
Federal and state revenues	5,010,036	5,038,176	5,784,304	746,128
Local contract revenue	1,019,260	755,061	747,418	(7,643)
Local contribution revenue	160,000	160,000	175,951	15,951
Annual meeting	6,500	(4,760)	(4,760)	-
Miscellaneous revenue	5,000	371	1,219	848
Pass-through revenue	10,500,000	11,726,034	11,130,472	(595,562)
Total resources	16,700,796	17,674,882	17,834,604	159,722
Amounts available for use	19,512,463	20,486,549	20,646,271	159,722
EXPENDITURES (outflows):				
Direct salaries	3,406,319	3,295,463	3,249,839	45,624
Direct employee benefits	1,453,994	1,369,116	1,346,093	23,023
Direct travel	164,595	125,656	141,913	(16,257)
Direct contracts	136,170	688,137	702,300	(14,163)
Direct other	344,103	637,441	446,529	190,912
Direct local non-grant expenses	51,000	11,500	75,119	(63,619)
Shared expenses	526,070	549,024	540,550	8,474
Pass-through expenditures	10,500,000	11,726,034	11,130,472	595,562
Total expenditures before other sources	16,582,251	18,402,371	17,632,815	769,556
Net other financing (sources) uses	47,500	47,500	53,563	(6,063)
Net expenditures	16,629,751	18,449,871	17,686,378	763,493
Budgetary fund balance June 30, 2017	\$ 2,882,712	\$ 2,036,678	\$ 2,959,893	\$ 923,215

The accompanying notes are an integral part of this statement.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2017**

NOTE 1 - BUDGETING POLICIES

The executive director submits an annual budget to the Board of Directors in accordance with NKADD procedures. Once approved, the Board of Directors may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures. Each funds' budget is prepared on a detailed work element/line item basis. Revenues are budgeted by source. Expenditures are budgeted by department, work element and line item. Revisions to the budget were made throughout the year. Because the NKADD did not have sufficient information to accurately prepare certain forecasts, some work elements do not have budgets.

The budgets are prepared on the basis of accounting used by the appropriate fund. The actual and budget amounts for the Revolving Loan Fund and the Non-cash Federal Commodities are not included in the General Fund budgetary comparison schedule.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF THE NKADD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

County Employees Retirement System

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.132907%	0.136770%	0.137418%							
District's proportionate share of the net pension liability (asset)	\$ 6,543,826	\$ 5,880,446	\$ 4,458,372							
District's covered-employee payroll	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.62%	183.23%	141.31%							
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%							

* The amounts presented for each fiscal year were determined as of one-year prior to the fiscal year end.

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

SCHEDULE OF NKADD PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 432,888	\$ 397,061	\$ 408,787	\$ 433,168						
Contributions in relation to the contractually required contribution	<u>\$ (432,888)</u>	<u>\$ (397,061)</u>	<u>\$ (408,787)</u>	<u>\$ (433,168)</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered-employee payroll	\$ 3,103,141	\$ 3,198,046	\$ 3,209,306	\$ 3,155,009						
Contributions as a percentage of covered-employee payroll	13.95%	12.42%	12.74%	13.73%						

NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT

NOTES TO PENSION PLAN SCHEDULES

June 30, 2017

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Difference rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions. The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increase	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

As explained in Note 1 of the Supplementary Information, the accompanying summary of information of the Northern Kentucky Area Development District, as of and for the year ended June 30, 2017, as listed in the table of contents is not a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the accompanying summary information is fairly stated in all material respects, in relation to the portion of the basic financial statements from which it has been derived.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 16, 2018

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY GRANT
GENERAL AND SPECIAL REVENUE FUND TYPES
YEAR ENDED JUNE 30, 2017**

	<u>Cabinet for Health and Family Services</u>	<u>Workforce Innovation & Opportunity Act</u>	<u>Commodities</u>	<u>Supportive Housing</u>
REVENUES:				
Federal	\$ 2,033,140	\$ 2,871,060	\$ 110,476	\$ 16,009
State	9,428,413	-	-	-
Federal commodities	-	-	695,574	-
Local funds applied	14,209	5,255	11,498	-
Match - cash	174,796	-	-	-
Match - In kind	195,286	-	-	-
Program income	100,027	-	-	-
Interest income	344	-	27	-
Local revenue	28,233	8,007	-	-
	<u>11,974,448</u>	<u>2,884,322</u>	<u>817,575</u>	<u>16,009</u>
EXPENDITURES:				
Direct Expenses:				
Salaries	1,598,158	784,741	48,673	-
Employee benefits	677,816	302,066	19,599	-
Travel	63,964	21,068	1,601	-
Contracts	2,286	10,485	41,996	-
Other	152,502	71,496	2,091	-
	<u>2,494,726</u>	<u>1,189,856</u>	<u>113,960</u>	<u>-</u>
Shared expenses applied	<u>268,777</u>	<u>127,769</u>	<u>8,041</u>	<u>-</u>
Sub-total expenditures	2,763,503	1,317,625	122,001	-
Sub-recipients/sub-grantees	<u>9,022,231</u>	<u>1,566,697</u>	<u>695,574</u>	<u>16,009</u>
Total expenditures	<u>11,785,734</u>	<u>2,884,322</u>	<u>817,575</u>	<u>16,009</u>
Excess revenues (expenditures) before transfers to (from)	<u>188,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>\$ 188,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report on and notes to supplementary information.

<u>Loan Program</u>	<u>Joint Funding Administration</u>	<u>Other Federal Contracts</u>	<u>Other State Contracts</u>	<u>Other Local Contracts</u>	<u>Shared Expenses</u>	<u>Revenues and Expenditures</u>
\$ 17,608	\$ 81,055	\$ 1,183,899	\$ -	\$ -	\$ -	\$ 6,313,247
-	103,730	-	537,897	-	-	10,070,040
-	-	-	-	-	-	695,574
4,329	-	20,400	23,339	(79,030)	-	-
-	-	-	-	-	-	174,796
-	-	7,279	-	-	-	202,565
-	-	-	-	-	-	100,027
7,971	-	1	2	845	-	9,190
-	-	22,790	-	1,408,676	-	1,467,706
<u>29,908</u>	<u>184,785</u>	<u>1,234,369</u>	<u>561,238</u>	<u>1,330,491</u>	<u>-</u>	<u>19,033,145</u>
4,411	110,571	395,628	123,500	188,568	56,641	3,310,891
1,967	45,360	172,986	49,744	78,522	33,117	1,381,177
652	5,669	17,461	2,653	29,497	5,608	148,173
1,711	-	352,881	-	294,652	83,107	787,118
404	5,848	46,327	93,834	149,550	362,840	884,892
9,145	167,448	985,283	269,731	740,789	541,313	6,512,251
763	17,337	66,797	19,970	31,859	(541,313)	-
9,908	184,785	1,052,080	289,701	772,648	-	6,512,251
20,000	-	182,289	271,537	549,097	-	12,323,434
<u>29,908</u>	<u>184,785</u>	<u>1,234,369</u>	<u>561,238</u>	<u>1,321,745</u>	<u>-</u>	<u>18,835,685</u>
-	-	-	-	8,746	-	197,460
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,746</u>	<u>\$ -</u>	<u>\$ 197,460</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

REFERENCE	Title III		Title VII	
	Pages 38-41		Pages 42-43	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 1,332,189	\$ 1,294,228	\$ 32,051	\$ 20,789
State	665,857	665,857	-	-
Local funds applied	11,077	11,077	-	-
Match - cash	144,333	144,333	-	-
Match - In kind	161,951	161,951	7,203	7,203
Program income	8,869	8,869	-	-
Interest income	131	131	-	-
Local revenue	1,977	1,977	-	-
Total revenues	<u>2,326,384</u>	<u>2,288,423</u>	<u>39,254</u>	<u>27,992</u>
EXPENDITURES:				
Direct Expenses:				
Salaries	360,552	360,552	10,422	10,422
Employee benefits	155,518	155,518	4,513	4,513
Travel	13,049	13,049	-	-
Contracts	2,286	2,286	-	-
Other	61,940	61,940	15,380	4,118
Total direct expenses	<u>593,345</u>	<u>593,345</u>	<u>30,315</u>	<u>19,053</u>
Shared expenses applied	<u>61,413</u>	<u>61,413</u>	<u>1,736</u>	<u>1,736</u>
Sub-total expenditures	<u>654,758</u>	<u>654,758</u>	<u>32,051</u>	<u>20,789</u>
Sub-recipients/sub-grantees	<u>1,671,626</u>	<u>1,633,665</u>	<u>7,203</u>	<u>7,203</u>
Total expenditures	<u>2,326,384</u>	<u>2,288,423</u>	<u>39,254</u>	<u>27,992</u>
Excess revenues (expenditures) before transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report on and notes to supplementary information.

NSIP 320-319		Homecare Pages 44-45		Personal Care Attendant Pages 46-47	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 84,789	\$ 84,789	\$ -	\$ -	\$ -	\$ -
-	-	1,279,187	1,195,350	527,391	527,391
-	-	2,420	2,420	708	708
-	-	30,463	30,463	-	-
-	-	26,132	26,132	-	-
-	-	11,413	11,413	-	-
-	-	129	129	-	-
-	-	26,140	26,140	-	-
<u>84,789</u>	<u>84,789</u>	<u>1,375,884</u>	<u>1,292,047</u>	<u>528,099</u>	<u>528,099</u>
-	-	338,490	288,188	5,191	5,191
-	-	147,729	124,254	1,992	1,992
-	-	10,254	10,254	60	60
-	-	-	-	-	-
-	-	20,169	20,170	401	401
-	-	516,642	442,866	7,644	7,644
-	-	58,962	48,901	789	789
-	-	575,604	491,767	8,433	8,433
<u>84,789</u>	<u>84,789</u>	<u>800,280</u>	<u>800,280</u>	<u>519,666</u>	<u>519,666</u>
<u>84,789</u>	<u>84,789</u>	<u>1,375,884</u>	<u>1,292,047</u>	<u>528,099</u>	<u>528,099</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

REFERENCE	SHIP		LTC Ombudsman	
	Pages 48-49		321-323	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 42,771	\$ 42,177	\$ -	\$ -
State	-	-	61,178	61,178
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	1	1	-	-
Local revenue	-	-	-	-
Total revenues	42,772	42,178	61,178	61,178
EXPENDITURES:				
Direct Expenses:				
Salaries	1,336	742	34,363	34,363
Employee benefits	228	228	14,118	14,118
Travel	-	-	6,835	6,835
Contracts	-	-	-	-
Other	-	-	23	23
Total direct expenses	1,564	970	55,339	55,339
Shared expenses applied	111	111	5,839	5,839
Sub-total expenditures	1,675	1,081	61,178	61,178
Sub-recipients/sub-grantees	41,097	41,097	-	-
Total expenditures	42,772	42,178	61,178	61,178
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report on and notes to supplementary information.

Functional Assessment		CDO		Chronic Disease	
317-557		Pages 50-51		320-327	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 1,531	\$ 1,531	\$ 323,486	\$ 521,575	\$ 3,971	\$ 3,971
-	-	6,988,012	6,978,637	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	79,745	79,745	-	-
-	-	83	83	-	-
-	-	-	-	-	-
<u>1,531</u>	<u>1,531</u>	<u>7,391,326</u>	<u>7,580,040</u>	<u>3,971</u>	<u>3,971</u>
704	704	896,675	896,675	-	-
373	373	376,164	376,164	-	-
329	329	33,437	33,437	-	-
-	-	-	-	-	-
-	-	55,251	55,251	3,971	3,971
<u>1,406</u>	<u>1,406</u>	<u>1,361,527</u>	<u>1,361,527</u>	<u>3,971</u>	<u>3,971</u>
<u>125</u>	<u>125</u>	<u>149,641</u>	<u>149,641</u>	<u>-</u>	<u>-</u>
1,531	1,531	1,511,168	1,511,168	3,971	3,971
-	-	5,880,158	5,880,158	-	-
<u>1,531</u>	<u>1,531</u>	<u>7,391,326</u>	<u>7,391,326</u>	<u>3,971</u>	<u>3,971</u>
-	-	-	188,714	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,714</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TOTAL BY PROGRAM
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

REFERENCE	Improving Arthritis Outcomes		MIPPA 3	
	326-335		326-313	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 4,100	\$ 4,011	\$ 10,888	\$ 8,825
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	116	116	-	-
Total revenues	4,216	4,127	10,888	8,825
EXPENDITURES:				
Direct Expenses:				
Salaries	-	-	2,189	892
Employee benefits	-	-	1,059	445
Travel	-	-	-	-
Contracts	-	-	-	-
Other	4,216	4,127	-	-
Total direct expenses	4,216	4,127	3,248	1,337
Shared expenses applied	-	-	283	131
Sub-total expenditures	4,216	4,127	3,531	1,468
Sub-recipients/sub-grantees	-	-	7,357	7,357
Total expenditures	4,216	4,127	10,888	8,825
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report on and notes to supplementary information.

MIPPA 2		Cabinet for Health and Family	
326-312		Services	
Budget	Actual	Budget	Actual
\$ 54,073	\$ 51,244	\$ 1,889,849	\$ 2,033,140
-	-	9,521,625	9,428,413
4	4	14,209	14,209
-	-	174,796	174,796
-	-	195,286	195,286
-	-	100,027	100,027
-	-	344	344
-	-	28,233	28,233
<u>54,077</u>	<u>51,248</u>	<u>11,924,369</u>	<u>11,974,448</u>
429	429	1,650,351	1,598,158
211	211	701,905	677,816
-	-	63,964	63,964
-	-	2,286	2,286
<u>2,501</u>	<u>2,501</u>	<u>163,852</u>	<u>152,502</u>
3,141	3,141	2,582,358	2,494,726
91	91	278,990	268,777
3,232	3,232	2,861,348	2,763,503
<u>50,845</u>	<u>48,016</u>	<u>9,063,021</u>	<u>9,022,231</u>
<u>54,077</u>	<u>51,248</u>	<u>11,924,369</u>	<u>11,785,734</u>
-	-	-	188,714
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,714</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE III
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Administration		Supportive Services	
	320-300		320-301	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 54,191	\$ 54,191	\$ 471,171	\$ 471,171
State	74,858	74,858	494,467	494,467
Local funds applied	510	510	-	-
Match - cash	-	-	49,784	49,784
Match - In kind	-	-	153,278	153,278
Program income	-	-	6,613	6,613
Interest income	-	-	131	131
Local revenue	-	-	370	370
Total revenues	129,559	129,559	1,175,814	1,175,814
EXPENDITURES:				
Direct Expenses:				
Salaries	71,962	71,962	214,182	214,182
Employee benefits	28,830	28,830	97,288	97,288
Travel	2,718	2,718	7,838	7,838
Contracts	-	-	560	560
Other	14,012	14,012	23,382	23,382
Total direct expenses	117,522	117,522	343,250	343,250
Shared expenses applied	12,037	12,037	37,059	37,059
Sub-total expenditures	129,559	129,559	380,309	380,309
Sub-recipients/sub-grantees	-	-	795,505	795,505
Total expenditures	129,559	129,559	1,175,814	1,175,814
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from):	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to supplementary information.

Congregate Meals		Home Delivered Meals		Preventive Health	
320-302		320-303		320-304	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 221,071	\$ 220,368	\$ 363,731	\$ 349,380	\$ 24,095	\$ 24,095
39,782	39,782	33,803	33,803	-	-
-	-	-	-	-	-
23,611	23,611	67,566	67,566	-	-
-	-	-	-	-	-
2,256	2,256	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>286,720</u>	<u>286,017</u>	<u>465,100</u>	<u>450,749</u>	<u>24,095</u>	<u>24,095</u>
7,706	7,706	-	-	-	-
590	590	-	-	-	-
-	-	-	-	-	-
720	720	306	306	700	700
520	520	-	-	4,398	4,398
9,536	9,536	306	306	5,098	5,098
987	987	-	-	-	-
10,523	10,523	306	306	5,098	5,098
<u>276,197</u>	<u>275,494</u>	<u>464,794</u>	<u>450,443</u>	<u>18,997</u>	<u>18,997</u>
<u>286,720</u>	<u>286,017</u>	<u>465,100</u>	<u>450,749</u>	<u>24,095</u>	<u>24,095</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE III
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Caregiver Administration		Caregiver Support	
	320-308		320-309	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 13,437	\$ 13,437	\$ 149,991	\$ 127,084
State	-	-	22,947	22,947
Local funds applied	4,479	4,479	5,762	5,762
Match - cash	-	-	3,372	3,372
Match - In kind	-	-	8,673	8,673
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	1,607	1,607
Total revenues	17,916	17,916	192,352	169,445
EXPENDITURES:				
Direct Expenses:				
Salaries	10,625	10,625	34,894	34,894
Employee benefits	3,715	3,715	15,791	15,791
Travel	564	564	1,229	1,229
Contracts	-	-	-	-
Other	1,309	1,309	18,319	18,319
Total direct expenses	16,213	16,213	70,233	70,233
Shared expenses applied	1,703	1,703	5,986	5,986
Sub-total expenditures	17,916	17,916	76,219	76,219
Sub-recipients/sub-grantees	-	-	116,133	93,226
Total expenditures	17,916	17,916	192,352	169,445
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from):	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to supplementary information.

Congregate Meals Admin.		Home Delivered Meals Admin.		Title III	
320-316		320-317		Totals	
Budget	Actual	Budget	Actual	Budget	Actual
\$ 17,251	\$ 17,251	\$ 17,251	\$ 17,251	\$ 1,332,189	\$ 1,294,228
-	-	-	-	665,857	665,857
137	137	189	189	11,077	11,077
-	-	-	-	144,333	144,333
-	-	-	-	161,951	161,951
-	-	-	-	8,869	8,869
-	-	-	-	131	131
-	-	-	-	1,977	1,977
<u>17,388</u>	<u>17,388</u>	<u>17,440</u>	<u>17,440</u>	<u>2,326,384</u>	<u>2,288,423</u>
10,531	10,531	10,652	10,652	360,552	360,552
4,630	4,630	4,674	4,674	155,518	155,518
422	422	278	278	13,049	13,049
-	-	-	-	2,286	2,286
-	-	-	-	61,940	61,940
<u>15,583</u>	<u>15,583</u>	<u>15,604</u>	<u>15,604</u>	<u>593,345</u>	<u>593,345</u>
<u>1,805</u>	<u>1,805</u>	<u>1,836</u>	<u>1,836</u>	<u>61,413</u>	<u>61,413</u>
17,388	17,388	17,440	17,440	654,758	654,758
-	-	-	-	1,671,626	1,633,665
<u>17,388</u>	<u>17,388</u>	<u>17,440</u>	<u>17,440</u>	<u>2,326,384</u>	<u>2,288,423</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
TITLE VII
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Elder Abuse		Ombudsman	
	320-305		320-306	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 6,035	\$ 6,035	\$ 11,016	\$ 11,016
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	2,684	2,684	4,519	4,519
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	<u>8,719</u>	<u>8,719</u>	<u>15,535</u>	<u>15,535</u>
EXPENDITURES:				
Direct Expenses:				
Salaries	3,717	3,717	6,604	6,604
Employee benefits	1,693	1,693	2,779	2,779
Travel	-	-	-	-
Contracts	-	-	-	-
Other	-	-	547	547
Total direct expenses	<u>5,410</u>	<u>5,410</u>	<u>9,930</u>	<u>9,930</u>
Shared expenses applied	<u>625</u>	<u>625</u>	<u>1,086</u>	<u>1,086</u>
Sub-total expenditures	6,035	6,035	11,016	11,016
Sub-recipients/sub-grantees	<u>2,684</u>	<u>2,684</u>	<u>4,519</u>	<u>4,519</u>
Total expenditures	<u>8,719</u>	<u>8,719</u>	<u>15,535</u>	<u>15,535</u>
Excess revenues (expenditures) before transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and notes to supplementary information.

Ombudsman - Education		Title VII	
320-307		Totals	
Budget	Actual	Budget	Actual
\$ 15,000	\$ 3,738	\$ 32,051	\$ 20,789
-	-	-	-
-	-	-	-
-	-	-	-
-	-	7,203	7,203
-	-	-	-
-	-	-	-
-	-	-	-
<u>15,000</u>	<u>3,738</u>	<u>39,254</u>	<u>27,992</u>
101	101	10,422	10,422
41	41	4,513	4,513
-	-	-	-
-	-	-	-
<u>14,833</u>	<u>3,571</u>	<u>15,380</u>	<u>4,118</u>
14,975	3,713	30,315	19,053
25	25	1,736	1,736
<u>15,000</u>	<u>3,738</u>	<u>32,051</u>	<u>20,789</u>
-	-	7,203	7,203
<u>15,000</u>	<u>3,738</u>	<u>39,254</u>	<u>27,992</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
HOMECARE
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Administration		Home Delivered Meals	
	321-320		321-321	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ -	\$ -	\$ -	\$ -
State	159,547	159,547	118,081	118,081
Local funds applied	946	946	-	-
Match - cash	-	-	6,893	6,893
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	338	338	-	-
Total revenues	160,831	160,831	124,974	124,974
EXPENDITURES:				
Direct Expenses:				
Salaries	101,223	101,223	-	-
Employee benefits	36,530	36,530	-	-
Travel	2,487	2,487	-	-
Contracts	-	-	-	-
Other	4,606	4,606	-	-
Total direct expenses	144,846	144,846	-	-
Shared expenses applied	15,985	15,985	-	-
Sub-total expenditures	160,831	160,831	-	-
Sub-recipients/sub-grantees	-	-	124,974	124,974
Total expenditures	160,831	160,831	124,974	124,974
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to supplementary information.

Social Services		Homecare	
321-322		Totals	
Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -
1,001,559	917,722	1,279,187	1,195,350
1,474	1,474	2,420	2,420
23,570	23,570	30,463	30,463
26,132	26,132	26,132	26,132
11,413	11,413	11,413	11,413
129	129	129	129
25,802	25,802	26,140	26,140
<u>1,090,079</u>	<u>1,006,242</u>	<u>1,375,884</u>	<u>1,292,047</u>
237,267	186,965	338,490	288,188
111,199	87,724	147,729	124,254
7,767	7,767	10,254	10,254
-	-	-	-
15,563	15,564	20,169	20,170
371,796	298,020	516,642	442,866
42,977	32,916	58,962	48,901
414,773	330,936	575,604	491,767
675,306	675,306	800,280	800,280
<u>1,090,079</u>	<u>1,006,242</u>	<u>1,375,884</u>	<u>1,292,047</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
PERSONAL CARE ATTENDANT
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Administration		Evaluation and Coordination	
	324-340		324-341	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ -	\$ -	\$ -	\$ -
State	7,725	7,725	519,666	519,666
Local funds applied	708	708	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	-	-
Local revenue	-	-	-	-
Total revenues	8,433	8,433	519,666	519,666
EXPENDITURES:				
Direct Expenses:				
Salaries	5,191	5,191	-	-
Employee benefits	1,992	1,992	-	-
Travel	60	60	-	-
Contracts	-	-	-	-
Other	401	401	-	-
Total direct expenses	7,644	7,644	-	-
Shared expenses applied	789	789	-	-
Sub-total expenditures	8,433	8,433	-	-
Sub-recipients/sub-grantees	-	-	519,666	519,666
Total expenditures	8,433	8,433	519,666	519,666
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to supplementary information.

Personal Care Attendant	
Totals	
Budget	Actual
\$ -	\$ -
527,391	527,391
708	708
-	-
-	-
-	-
-	-
-	-
<u>528,099</u>	<u>528,099</u>
5,191	5,191
1,992	1,992
60	60
-	-
401	401
<u>7,644</u>	<u>7,644</u>
789	789
<u>8,433</u>	<u>8,433</u>
<u>519,666</u>	<u>519,666</u>
<u>528,099</u>	<u>528,099</u>
-	-
-	-
<u>\$ -</u>	<u>\$ -</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
SHIP
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	Administration		Regular	
	326-310		326-311	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 2,805	\$ 2,211	\$ 39,966	\$ 39,966
State	-	-	-	-
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	-	-
Interest income	-	-	1	1
Local revenue	-	-	-	-
Total revenues	2,805	2,211	39,967	39,967
EXPENDITURES:				
Direct Expenses:				
Salaries	1,336	742	-	-
Employee benefits	228	228	-	-
Travel	-	-	-	-
Contracts	-	-	-	-
Other	-	-	-	-
Total direct expenses	1,564	970	-	-
Shared expenses applied	111	111	-	-
Sub-total expenditures	1,675	1,081	-	-
Sub-recipients/sub-grantees	1,130	1,130	39,967	39,967
Total expenditures	2,805	2,211	39,967	39,967
Excess revenues (expenditures) before transfers to (from)	-	-	-	-
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to supplementary information.

SHIP		Totals	
Budget		Actual	
\$ 42,771		\$ 42,177	
-		-	
-		-	
-		-	
-		-	
1		1	
-		-	
<hr/>		<hr/>	
42,772		42,178	
<hr/>		<hr/>	
1,336		742	
228		228	
-		-	
-		-	
-		-	
<hr/>		<hr/>	
1,564		970	
111		111	
<hr/>		<hr/>	
1,675		1,081	
<hr/>		<hr/>	
41,097		41,097	
<hr/>		<hr/>	
42,772		42,178	
<hr/>		<hr/>	
-		-	
<hr/>		<hr/>	
-		-	
<hr/>		<hr/>	
\$ -		\$ -	
<hr/>		<hr/>	

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF OPERATIONS BY PROGRAM
CABINET FOR HEALTH AND FAMILY SERVICES
CDO
PERIOD PERFORMANCE: JULY 1, 2016 TO JUNE 30, 2017**

Work Element	CDO Financial Management		CDO Program	
	134-552		334-552	
	Budget	Actual	Budget	Actual
REVENUES:				
Federal	\$ 323,486	\$ 521,575	\$ -	\$ -
State	-	-	6,988,012	6,978,637
Local funds applied	-	-	-	-
Match - cash	-	-	-	-
Match - In kind	-	-	-	-
Program income	-	-	79,745	79,745
Interest income	-	-	83	83
Local revenue	-	-	-	-
Total revenues	323,486	521,575	7,067,840	7,058,465
EXPENDITURES:				
Direct Expenses:				
Salaries	198,789	198,789	697,886	697,886
Employee benefits	84,021	84,021	292,143	292,143
Travel	300	300	33,137	33,137
Contracts	-	-	-	-
Other	6,978	6,978	48,273	48,273
Total direct expenses	290,088	290,088	1,071,439	1,071,439
Shared expenses applied	33,398	33,398	116,243	116,243
Sub-total expenditures	323,486	323,486	1,187,682	1,187,682
Sub-recipients/sub-grantees	-	-	5,880,158	5,880,158
Total expenditures	323,486	323,486	7,067,840	7,067,840
Excess revenues (expenditures) before transfers to (from)	-	198,089	-	(9,375)
Transfers to (from)	-	-	-	-
Excess revenues (expenditures)	\$ -	\$ 198,089	\$ -	\$ (9,375)

See independent auditors' report and notes to supplementary information.

CDO	
Totals	
Budget	Actual
\$ 323,486	\$ 521,575
6,988,012	6,978,637
-	-
-	-
-	-
79,745	79,745
83	83
-	-
<u>7,391,326</u>	<u>7,580,040</u>
896,675	896,675
376,164	376,164
33,437	33,437
-	-
<u>55,251</u>	<u>55,251</u>
1,361,527	1,361,527
149,641	149,641
1,511,168	1,511,168
<u>5,880,158</u>	<u>5,880,158</u>
<u>7,391,326</u>	<u>7,391,326</u>
-	188,714
-	-
<u>\$ -</u>	<u>\$ 188,714</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
STATEMENT OF ALLOCATED COSTS CLAIMED
YEAR ENDED JUNE 30, 2017**

	<u>Costs Claimed</u>
Shared Expenses:	
Salaries	\$ 56,641
Employee benefits	33,117
Travel	5,608
Contractual	83,107
Other	
Financing costs	70,661
Miscellaneous	65,862
Depreciation	62,664
Insurance	53,070
Postage	6,989
Telephone	8,592
Consumable supplies	23,875
Utilities	28,218
Computer software and hardware	20,193
Janitor service	20,120
Organizational dues	1,691
Registration	804
Marketing and advertising	101
Total other	362,840
Total shared expenses	541,313
Shared expenses allocated (1)	(541,313)
Shared expenses over applied	\$ -

Explanatory Notes:

- (1) Shared costs are distributed on the basis of total direct salaries and employee benefits. The total shared expenses allocated is approximately 12% of total direct salaries and employee benefits.

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 – BASIS OF ACCOUNTING

The supplementary information has been prepared in accordance with the reporting requirements of the various funding authorities. These requirements include the accrual basis of accounting and the inclusion of all reported fund sources and expenditures related to the contracts. Accordingly, the supplementary information includes the sub-grantees' reported program income, cash match and in-kind match. The supplementary information does not include statements of assets and liabilities of the programs. As such, these requirements differ from accounting principles generally accepted in the United States of America.

NOTE 2 – SUB-GRANTEE MATCH INFORMATION

As stated in Note 1 above, the supplementary information includes the reported program income and match information of the sub-grantees. With the exception of RC Durr YMCA of Greater Cincinnati, Owenton Manor, Wyatt's SuperVal, Community Services of NKY, Carroll County Fiscal Court, Gallatin County Fiscal Court, Pendleton County Fiscal Court, Owen County Fiscal Court, and Carroll County Detention Center, the sub-grantees providing match information are to be audited by independent certified public accountants in accordance with criteria established by terms of their agreements. Their audit reports will be furnished to the Northern Kentucky Area Development District and will be available for review by the appropriate state agencies. The sub-grantees providing match under each contract are as follows:

Cabinet for Health and Family Services Contract

- The Visiting Nurse Association of Greater Cincinnati, and Northern Kentucky
- Legal Aid of the Bluegrass
- Lifeline Homecare, Inc.
- Visiting Angels, Inc.
- Campbell County Fiscal Court
- Community Services of Northern Kentucky
- Helping Hands
- Interim Healthcare
- PurFood LLC (MOMS Meals)
- Wesley Community Service
- Northern Kentucky Community Action Commission
- RC Durr YMCA of Greater Cincinnati
- Carroll County Fiscal Court
- Gallatin County Fiscal Court
- Pendleton County Fiscal Court
- Owen County Fiscal Court

Supportive Housing

- Center for Independent Living Options

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Kentucky Area Development District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northern Kentucky Area Development District's basic financial statements, and have issued our report thereon dated February 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northern Kentucky Area Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northern Kentucky Area Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Kentucky Area Development District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control in financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Kentucky Area Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Northern Kentucky Area Development District, in a separate letter dated February 16, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 16, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Northern Kentucky Area Development District
Florence, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Northern Kentucky Area Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Northern Kentucky Area Development District's major federal programs for the year ended June 30, 2017. The Northern Kentucky Area Development District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Northern Kentucky Area Development District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northern Kentucky Area Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northern Kentucky Area Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Kentucky Area Development District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Northern Kentucky Area Development District is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Northern Kentucky Area Development District's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern Kentucky Area Development District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We also noted certain matters that we reported to management of the Northern Kentucky Area Development District, in a separate letter dated February 16, 2018.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 16, 2018

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number	Program Award Amounts
U. S. Department of Agriculture			
Passed through Kentucky Department of Agriculture Commodity Supplemental Food Program	10.565	PON2-035 1600002217 1	\$ 100,000
The Emergency Food Assistance Cluster:			
Passed through Kentucky Department of Agriculture CASH:			
The Emergency Food Assistance Program (Administration)	10.568	PON2-035 1600002207 1	100,000
NONCASH:			
The Emergency Food Assistance Program (Food Commodities)	10.569	PON2-035 1600002207 1	
Sub-total for the Emergency Food Assistance Cluster			
Sub-total for U.S. Department of Agriculture			
U. S. Department of Commerce			
Passed through Governors Office of Local Development:			
Economic Development Administration Partnership Planning Grant	11.302	PON2-112 1700001230	63,000
Economic Adjustment Assistance:			
Revolving loan fund	11.307	04-19-59014	500,000
Sub-total for U.S. Department of Commerce			
U. S. Department of Housing and Urban Development			
Passed through Kentucky Housing Corporation:			
Supportive Housing (Planks I)	14.235	CC14-0143-01	449,246
Passed through Governors Office of Local Development:			
Community Development Block Grant	14.228	PON2-112 1700001230	18,055
Sub-total for U.S. Department of Housing and Urban Development			
U. S. Department of Labor			
Passed through Kentucky Cabinet for Workforce Development			
Workforce Innovation and Opportunity Act Cluster:			
WIOA Adult Program	17.258	27016	92,147
WIOA Adult Program	17.258	27316	799,470
WIOA Adult Program	17.258	27017	87,935
WIOA Adult Program	17.258	27317	599,629
WIOA Youth Activities	17.259	27416	875,514
WIOA Youth Activities	17.259	27417	671,330
WIOA Dislocated Workers	17.278	272CMW5	72,481
WIOA Dislocated Workers	17.278	271RRW5	90,234
WIOA Dislocated Workers	17.278	27216	137,570
WIOA Dislocated Workers	17.278	27116	722,632
WIOA Dislocated Workers	17.278	27217	104,792
WIOA Dislocated Workers	17.278	27117	694,270
Sub-total for Workforce Innovation and Opportunity Act Cluster			
Workforce Investment Act - National Emergency Grant	17.277	25815	486,006
Trade Adjustment Assistance	17.245	20514	234,359
Trade Adjustment Assistance	17.245	20515	357,500
Dislocated Worker National Reserve Technical Assistance & Training	17.281	214W115	1,763
Sub-total for U.S. Department of Labor			

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

Federal Expenditures	Sub-recipient
\$ 63,158	\$ -
47,318	-
695,574	695,574
<u>742,892</u>	<u>695,574</u>
806,050	695,574
63,000	-
412,737	-
<u>475,737</u>	<u>-</u>
16,009	16,009
18,055	-
<u>34,064</u>	<u>16,009</u>
31,906	14,976
234,613	173,977
76,867	39,951
365,494	131,814
369,103	191,247
294,927	38,134
72,481	72,481
90,234	90,234
42,611	38,301
225,301	125,641
99,461	49,942
599,170	368,894
<u>2,502,168</u>	<u>1,335,592</u>
218,619	82,595
44,180	44,180
104,330	104,330
1,763	-
<u>2,871,060</u>	<u>1,566,697</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's ID Number	Program Award Amounts
U. S. Transportation Department			
Passed through Kentucky Transportation Department			
Kentucky Transportation Planning	20.505	G04S704Z	30,000
Kentucky Transportation Delivery	20.513	G06S616Z	214,663
Sub-total for U.S. Transportation Department			
U. S. Environmental Protection Agency			
Passed through U.S. Environmental Protection Agency Region 4			
Brownfields Assessment/Cleanup Cooperative Agreements	66.818	BF-00D24914-0	600,000
Brownfields RLF Program	66.818	BF-95498512	850,000
Sub-total for U.S. Environmental Protection Agency			
U. S. Department of Health and Human Services			
Passed through Kentucky Cabinet for Health and Family Services:			
Aging Cluster:			
Title III, Part B Support Services	93.044	PON2-725 1600001203	464,447
Title III, Part B Support Services (Administration)	93.044	PON2-725 1600001203	54,191
Title III, Part C Nutrition Services	93.045	PON2-725 1600001203	238,322
Title III, Part C Nutrition Services	93.045	PON2-725 1600001203	380,982
Nutrition Services Incentive Program, NSIP	93.053	PON2-725 1600000226	65,509
Nutrition Services Incentive Program, NSIP	93.053	PON2-725 1700000099	62,789
Sub-total for Aging Cluster			
Title VII, Elder Abuse Prevention	93.041	PON2-725 1600001202	6,035
Title VII, Ombudsman	93.042	PON2-725 1600001203	11,016
Title VII, Ombudsman Education	93.042	PON2-725 1600001223	15,000
Title III, Part D Preventive Health	93.043	PON2-725 1600001203	24,095
Title III, Part E Family Caregiver Support (Administration)	93.052	PON2-725 1600001203	13,437
Title III, Part E Family Caregiver Support	93.052	PON2-725 1600001203	149,991
Functional Assessment Service Terms	93.069	PON2-725 1600001212	2,000
MIPPA SHIP	93.071	PON2-725 16000000228	15,492
MIPPA SHIP	93.071	PON2-725 17000000082	30,379
MIPPA AAA	93.071	PON2-725 16000000228	13,950
MIPPA AAA	93.071	PON2-725 17000000082	16,474
MIPPA ADRC	93.071	PON2-725 16000000228	6,500
MIPPA ADRC	93.071	PON2-725 17000000082	7,220
Centers for Medicare & Medicaid Services, CMS - (SHIP)	93.324	PON2-725 1600001180	56,112
Temporary Assistance for Needy Families - KY Works	93.558	PON2-736 1600001915-1	938,694
Chronic Disease Self Management Education	93.734	PON2-725 1600001141 1	15,000
Medicaid ADRC	93.778	PON2-725 1600001210	17,280
Improving Arthritis Outcomes	93.945	PON2-725 1600001213	4,100
Sub-total for U.S. Department of Health and Human Services			
U.S. Department of Homeland Security			
Passed through Kentucky Division of Emergency Management:			
Pre-Disaster Mitigation Program	97.047	PDMC-PL-04-KY-2014-002	73,168
Total Federal Expenditures			
Total Federal Expenditures - Cash			
Total Federal Expenditures - Non-cash			

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

<u>Federal Expenditures</u>	<u>Sub-recipient</u>
30,000	-
<u>120,202</u>	<u>120,202</u>
150,202	120,202
290,136	-
<u>26,348</u>	<u>20,600</u>
316,484	20,600
464,447	231,202
54,191	-
237,619	213,434
366,631	366,631
22,000	22,000
<u>62,789</u>	<u>62,789</u>
1,207,677	896,056
6,035	-
11,016	-
3,738	-
24,095	18,997
13,437	-
127,084	81,179
1,531	-
3,873	3,873
27,550	27,550
3,484	3,484
16,474	16,474
1,468	-
7,220	3,988
42,177	41,097
693,249	36,833
3,971	-
6,724	-
<u>4,011</u>	<u>-</u>
2,204,814	1,129,531
<u>23,964</u>	<u>-</u>
<u>\$ 6,882,375</u>	<u>\$ 3,548,613</u>
<u>\$ 6,186,801</u>	<u>\$ 2,853,039</u>
<u>\$ 695,574</u>	<u>\$ 695,574</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northern Kentucky Area Development District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of NKADD, it is not intended to and does not present the financial position, changes in net position or cash flows of the NKADD. Although many of these programs are jointly funded by Federal, Kentucky and local sources, only Federal expenditures are reported on this schedule. The amounts shown are based on the Federal share of the combined allocations.

Note 2 – Summary of Significant Accounting

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The NKADD has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Revolving Loan Fund Calculation

Balance of loans outstanding	\$106,760
Plus: Cash and investment balance	300,397
Plus: Administrative expenses	5,580
Plus: Loans written off during the fiscal year	<u>-</u>
Subtotal	412,737
Multiplied by federal share of initial capitalization	<u>100%</u>
Total	<u>\$412,737</u>

Note 4 – Reconciliation of Federal Revenues - Cash

Statement of Revenues, Expenditures and Changes in Fund Balance (page 10)	
Federal Revenues	\$6,313,247
Less: CDO (Federal Medicaid)	(521,575)
Adjustment for Revolving Loan Fund	
Amount reported on page 10	(17,608)
Amount reported on page 59	<u>412,737</u>
Federal Expenditures–Cash	
Schedule of Expenditures of Federal Awards (page 61)	<u>\$6,186,801</u>

**NORTHERN KENTUCKY AREA DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major programs: CFDA Number(s)	<ul style="list-style-type: none"> • Economic Adjustment Assistance [CFDA 11.307] • Workforce Investment Ac Cluster [CFDA 17.258, 17.259, and 17.278]
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported

**NORTHERN KENTUCKY AREA DISTRICT DEVELOPMENT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

No matters were reported

PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported